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THE RAILWAY AND THE STATE.

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THE RAILWAY AND THE STATE.

SINCE the nations of the earth have been old enough to trade the control of commerce has been undertaken by the state. Its extension or restriction abroad, its development or direction at home, and its influence upon the wealth of the nation or the interests of classes, have all been thought proper objects for the exercise of the sovereign authority. But commerce, if allowed to take its natural course, will, like all other movements of nature, follow the direction of the least resistance, and the tendency of state control has ever been to obstruct this natural channel without supplying others which were deeper or more direct. Control is ever thus upon the verge of interference, and has ever been falling over the verge into the abyss below. This has been the experience of the world. From that experience we have constantly added to our knowledge of the subject, and as in one case after another the control has been shown to result in interference, producing the results it was invoked to prevent, the interference has been withdrawn, and in its place there has been substituted that control only which is exercised by the state over all property: protecting it in its proper use, and preventing its employment to the injury of others.

In all the transactions of trade experience has shown that as each one works for his own interests, he equally works for the greatest good of the greatest number; yet, as new problems present themselves in the advancing course of civilization, it seems to be the tendency ever to solve them by state interference. But the tendency of history is also to repeat itself in this as in other affairs of the world, and the injury resulting from the interference leads to its abandonment.

The railway systems of the world seem to many to afford a new problem. In the memory of men still living the first locomotive was run in the United States, while now there are about

one hundred and twenty thousand miles of railroad in operation — nearly equal to the mileage of the rest of the world combined. The importance here of the railroad, entering as it does into every interest of the country, naturally results in a popular demand for a strict control of it by the law. When fifty millions of active people are every day affected by its operations, there must be frequent complaints and many injuries, whatever may be the principles of its management. Of these complaints many no doubt arise from an ignorance of the causes leading to the conditions complained of,—causes which are beyond the control of the railroad as they are of the state. For the cure of these real or imaginary ills the remedy at once suggested is state control; not by the redress or prevention of alleged injustice or oppression, or by a trial of specific cases on their merits; but by an effort to manage the whole policy and direction of the traffic of the railroads,—to fix their rates and direct their operations.

State interference in the management of railroads and the fixing of rates, is excused on the ground that they are not controlled, as are other commercial institutions, by competition. For a popular belief this is natural enough, for such judgments are generally based upon the information derived from a few uncertain facts, together with the misinformation spread by the politicians and a portion of the press. A close examination of the subject will, however, show that the rates are the product of competition, and are determined by the natural law of all commercial transactions which constantly tends to reduce profits to a minimum. Some of the natural forces which regulate the rates charged by railroads I shall notice under the following heads:

First. Competition of capital.

Second. Competition of parallel railroads and water routes.

Third. Competition of markets.

Fourth. Efforts of the railroads to increase their traffic and net income by decreasing their rates.

First. It is an accepted maxim of economics that the value of money depends upon the relations existing between the demand for its use and the supply. This value, represented by the rate of interest which is paid for its use, constantly tends to equalize itself throughout all countries and in all investments. The differences which exist in the rates of interest in various markets, are regulated by the abundance or the scarcity

of capital in each, compared with the demand for its use. The differences which exist in the rates in any given market are determined by the greater or less certainty of the return from the investments in which the capital is employed. The constant tendency is in all cases for the interest on the capital to come to a uniform rate where there are uniform circumstances of risk. It follows that under the free operation of the laws of trade, capital invested in railroads cannot permanently, or for a long time, earn a higher rate of interest than capital invested in other ways where the uncertainty of return is not greater.

With the threat of governmental interference in the control of railroad tariffs, there is a new element introduced which largely adds to the uncertainties that exist to a greater or less extent under the natural conditions. The capital to be invested in railroad undertakings, therefore, demands the promise of a larger return than would otherwise be required. Such interference, when it is exercised for any other purpose than to redress wrongs and to prevent injustice, must always discourage the investment of capital in new lines which would afford further competition; and a higher rate of interest will be demanded on all the capital invested in railroads before a new line will venture in the same field. Thus the competition of capital, though an indirect, is yet a powerful element in determining the rates charged by railroads. Capital is eager to locate itself where is the fairest promise of return. But if attacked or threatened, it flies from the place, and only the strongest inducements or most earnest promises can again lure it back to the distrusted locality.

Of the arrested development of railroads there have already been some conspicuous cases in the United States, for instance, in the great agricultural States of the west and north-west. These are some distance from the chief markets for their products, and the item of transportation thus becomes a prominent factor in the cost of production in those markets. It is natural that, under these circumstances, any charge that the rates of transportation were excessive would be eagerly received by the agricultural class. It was as natural that the politicians should use these circumstances to their advantage, and do all in their power to increase the misunderstanding between the farmer and the railroad. The farmer was urged to believe himself the

miserable *villein* groaning beneath the oppressions of his feudal lord. He asserted his manhood by sending a champion of his independence to the Legislature. The conflict of natural forces in operation upon rates was interrupted, and the problems were supposed to be solved by counting heads in the legislative arena. In 1874 the principal laws were enacted or went into operation, which authorized the state to fix the rates that private corporations and individuals should charge for the service of transporting or storing grain. In 1876 the constitutionality of the "Granger Acts" was affirmed by the highest court of the land. The effect of all this on capital is illustrated in the following statement of the miles of railroad constructed, as shown in the Report on internal commerce of the United States for 1880, by Jos. Nimmo, Jr., Chief of the Bureau of Statistics.*

MILES OF RAILROAD CONSTRUCTED in Illinois, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, and Dakota, yearly, from 1872 to 1880 inclusive.

Year.	No. of Miles.	Year.	No. of Miles.
1872.....	3086	1877.....	670
1873.....	1130	1878	1254
1874.....	509	1879.....	2465
1875.....	357	1880.....	2915
1876.....	550		

Of this period, the Commissioner of Railroads for Minnesota remarks as follows:†

"I came into office when railroad enterprise was paralyzed, and the general prosperity of the State at a low ebb; when there was great animosity among the people toward the railroads. I felt it my duty to do everything I could to allay irritation and keep the peace between the people and the railway corporations, to the end that our large agricultural territory might get more roads. After an almost total suspension of railway construction in the Western and North-western States for three years (1874 to 1876), Minnesota was the first to resume building roads, and kept in the lead for several years, until we had substantially a complete system of trunk-lines. There is, to-day, hardly a cultivated farm in the State from which the farmer cannot drive to a railroad station and return in a day.

"I believe that the avoidance of legislative interference with rates, and the administration of this office in a way to encourage the further investment of capital in railways in this State, has had an appreciable influence in this progress and development. Now that we have so many powerful corporations competing for business, we are assured that branches and cross-lines almost indefinite will be constructed, giving in a few years to every locality the benefits of active competition, and the lowest practicable rates."

* Appendix, p. 187.

† Report 1881, p. 5.

The great depression in railroad investment during this period of animosity toward the companies was, no doubt, to some extent the result of other causes. The feeling of the people, as well as the suspension of road building, were both, to a great extent, the effect of a common depression following unwarranted anticipations of great returns from all investments. Yet there can be no doubt that, other causes being removed, the threats and attacks of the time were sufficient to drive all movable capital from the field, and to warrant the prediction of Justices Field and Strong in their dissenting opinion, when the decision of the Supreme Court in these "Granger cases" was rendered. "The questions thus presented," they say, "are of the greatest importance, and their solution must materially affect the value of property invested in railroads to the amount of many hundreds of millions, and will have a great influence in encouraging or repelling future investments in such property."

While the attitude of the state toward railroads is of such a nature that no dependence can be placed upon its actions, the investment of capital in railroad building becomes an enterprise of a highly speculative nature. Great returns must therefore be promised to lure the capital into so uncertain a field. The state thus becomes, however unwillingly, the enemy of capital, delays the construction of competitive lines, and so tends, by its interference, to maintain higher rates of transportation.

Second. Competition of parallel lines, by water or rail, is the surest possible guaranty of the lowest rates and the best service. This is a generally admitted truth, and is proven by all experience. So important has this direct competition been considered, that a select committee of the United States Senate, on transportation, in 1874, prescribed it as the best remedy for the evils connected with the subject, which existed or were anticipated. In the conclusion of their report they say :

"We are unanimously of the opinion that the problem of cheap transportation is to be solved through competition, as hereinafter stated, rather than by direct congressional regulation of existing lines." *

To effectively secure this competition, they recommend that the Government build and operate a double track freight railroad from the Mississippi River to the Atlantic Ocean; and tell us that if this road were used to its fullest extent, by having

* Vol. I., p. 242.

trains follow each other at intervals of half an hour, upon grades where thirty or thirty-five cars could be run to a locomotive, the charge on shipments in bulk, on such goods as western cereals, might not exceed seven and a half mills a ton a mile.* The rate on grain, quoted by the Committee, between Chicago and New York, in 1872, was twelve and one-tenth mills a ton a mile. The reduction promised by the Government road was, therefore, four and six-tenths mills.

Congress has not seen fit to act upon the recommendation of the Committee, so the road has not been built. But by leaving the subject to private interests, not only has the danger which at the time was apprehended from the combination of the East and West trunk-lines not been realized, but the rates established by the Joint Executive Committee representing these lines, are now greatly below the rate promised by the Government road. The present tariff on grain and flour from Chicago to New York is twenty-five cents a hundred pounds, or five and four-tenths mills a ton a mile,—less than one-half the rate of 1872, and nearly one-third less than the low rate promised by the Government all-freight road.

This result has been accomplished chiefly through the competition of parallel routes by water and by rail; though we shall see that similar, if not as radical, results would be secured by other forms of competition, which are not commonly so well understood.

Third. Markets that are common to various points of production or supply control the rates from all these points by the competition which may exist with any one of them. The lowest rate to the market by any route, controls the rates by all the other routes. This principle is well shown in the statement of the Manager of the Great Western Railway of England.

“It will fairly illustrate to you,” he says, “the practice with regard to some of the grain imported into this country, if I explain the position of Birmingham and South Staffordshire, which is a comparatively small district of about twelve miles square, and contains a population of upwards of one million persons, and therefore consumes large quantities of foreign, as well as home-grown grain, etc.

“This district can be and is supplied from Liverpool, a distance of ninety-eight miles; Gloucester, fifty-three miles; Bristol, ninety miles; Newport, ninety-eight miles; and Cardiff, one hundred and ten miles (taking Birmingham as the place to measure to). It will be seen that Gloucester is the

* Vol. I., p. 154.

nearest point, and as it is connected with Birmingham and South Staffordshire by river and canal navigation, as well as by railways, the cost of conveyance of American grain is cheapest from that place, and therefore the rates from Bristol, Liverpool, Cardiff, and Newport, have to be fixed so as to enable these ports to compete with Gloucester." *

The cost of American grain is probably the same at each of these various points which may supply the market; so that the route having the longest haul can charge no more than the one having the shortest. Though they are not parallel lines, yet as they go to the same market they come directly in competition with one another.

The same rule aids in determining the rates on grain and provisions from various producing points in America to the seaboard, and the ocean rate from there to England. "The United Kingdom," we are told, "is the chief grain market of the world. All the Indian corn and about fifty per cent. of the wheat consumed in that kingdom is from foreign countries."† In this market the chief competitors of the United States are Russia, Germany, Egypt, Australia, Canada, and India. From the fields of production in the United States, then, the rates are controlled by competition with the different routes to the various countries mentioned. The rate from Odessa, on the Black Sea, to Liverpool affects the rate by sea from California, as well as by rail from Dakota.

Now, if the cost of production in Dakota were the same as in Germany, for instance, and the supply in either case were sufficient to meet the demand of Great Britain, the rate from Dakota to Liverpool would be the same as the rate from the place of production in Germany to Liverpool. If it were not as low, Dakota would send no grain to that market. If, however, as is the case, the cost of production in Dakota were less than in Germany, the rate from the former place would be such as to equalize the cost of production in the market. Now transportation is a part of the cost of production in the market. In the place where grain or any other raw material is produced, transportation is, of course, no direct element in its cost. But at the place of production it is worthless; it must be brought to market. That from necessity involves an additional expense, and this additional expense is a part of the cost of production

* Spl. Rept. Dep. Agri. U. S., April, 1883, p. 5.

† U. S. Inter. Commerce, 1880, p. 175.

in the market. This fact suggests the importance and power of the markets in regulating the rates of transportation. This cost of production, other things being equal, determines who shall sell and in what quantities. The selling price of a commodity is there determined by the competition of all sources of supply which the market has. These may be so close at hand that the transportation is an unimportant item; or may be in the place itself, in which case the transportation is no factor. To meet such competition the transportation company is compelled to fix its rates so low that the articles produced at a distance can be brought to the market at a profit to the producer.

This force of competition enters into the determination of the rates on nearly all commodities and in nearly all places. It operates most powerfully upon those things which are consumed in the largest quantities, since for these there is the greatest demand and the greatest competition in their sale. It tends to reduce to a minimum the rates on grain, provisions, and coal, and affects least the rates on silks, broadcloth, and wines. It results in differential rates, which, while they cause complaint from some, are a source of the greatest benefit to the many. It produces competition between places where otherwise none exists; it brings competition to commodities which before were monopolies. And so, in its effect, by constantly tending to reduce the selling price, it restricts profits more and more and brings into stronger play the forces determining the cost of production. Hence result an action and reaction which continually tend to reduce the price of commodities to consumers.

Fourth. The fourth force regulating rates is found in the power which the railroad possesses of increasing its net income by increasing its traffic at lower rates. The influence of this principle in the regulation of rates deserves more extended notice, as it more or less affects all rates of transportation,—of passengers as well as of freight, and between all places.

It is a principle of business generally understood, that more is to be made with small profits and large sales than with small sales and large profits. The wholesale merchant has a greater income, because his transactions are much greater; but the retailer receives a larger profit on the amount of the business he does. The lower rates of the wholesale merchant are, however, a result of economy in exchange and not in production.

Cotton goods, for instance, whether sold at retail or wholesale, cost the same at the factory ; and they must in any case be sold at an advance on this cost to realize any profit. But suppose the demand for cotton goods to be so limited that very small quantities were manufactured ; while the factories, machines, engines, officers, and general expenses of all kinds, were the same as with a much greater production. Evidently the cost of production of a single yard of calico would be greatly increased. But supposing, on the other hand, by an increase of the demand tenfold, ten times the amount of cotton should be manufactured without requiring any increase of factories, engines, machines, or managers, the cost of producing a yard would be greatly decreased. There would be a greater profit to the manufacturer now, we may assume, in selling the increased production at one-half the former price, than there would be with the former rate and the much smaller sales.

These considerations apply with much greater force to railroads. The manufacture of cotton goods may have but partial influence upon the demand, and unless the demand is increased an increase of the supply at lower rates would result only in a loss. There are times, too, as there are many things, in which the reduction of prices would make no increase of consumption, and would be at the expense of the manufacturer. With the railroad, however, the influences of all kinds of production, of manufacture and of trade, are brought to bear. The increase of production, the establishment of manufactures, and the extension of trade into new fields, in all of its various forms and branches, constantly offer and urge upon the railroad an increase of traffic at lower rates. That such a decrease of rates, if accompanied by a corresponding increase of traffic, would produce larger receipts for the railroad is apparent enough. The important fact is that it does more than this,—it produces a larger net profit. This follows from the fact that the increase of traffic is not accompanied by a proportionate increase of expense.

Some of the expenses of a railroad are fixed, and remain unchanged by any increase or decrease of traffic. Such, for instance, are interest (a very large item) and administration. A much larger number are increased in a very slight degree by an increase of traffic ; as superintendence, general offices, agencies, repairs of tracks, bridges, engines, and cars, and other

expenses of a similar nature. What other charges remain are increased by an increase of traffic to a somewhat greater degree, yet by no means in proportion to the increased business. An increase of traffic thus has no effect on large items of the expenses of a railroad; has but slight effect on other items which comprise the larger portion of the company's expenses; and affects in a somewhat greater degree, but still not in proportion to the increase of traffic, the remaining items. On the whole, it will be seen that an increase of traffic may be carried at a less rate and still afford a larger net profit. The following statement from experience illustrates this proposition:

STATEMENT OF TONNAGE, RATES, AND PROFITS OF FREIGHT TRANSPORTED BY THE
ROADS NAMED IN 1875, COMPARED WITH 1880.*

1875.	Miles of Road.	Tons Carried One Mile.	Rate per Ton Mile. Cts.	Freight Earnings.	Freight Expenses.	Net Earn- ings from Freight.
Erie Railway	942	1,016,618,050	1.208	\$12,287,399	\$9,647,786	\$2,639,613
Pennsylvania	905	1,479,414,466	1.058	15,651,741	9,166,374	6,535,367
N. Y. Central	1,000	1,404,008,029	1.275	17,899,702	12,639,005	5,260,697
P. Ft. Wayne & C....	468	491,289,899	1.111	5,430,511	3,371,945	2,058,566
Average	829	997,832,611	1.163	12,817,338	8,693,777	4,123,561
Average to one mile of road	1	1,203,651	1.163	\$15,461	\$10,487	\$4,974
1880.						
Erie Railway	1,010	1,721,112,095	.836	\$14,391,115	\$9,188,297	\$5,202,818
Pennsylvania	1,120	2,298,317,323	.880	20,234,046	10,892,368	9,341,678
N. Y. Central	1,018	2,525,139,145	.879	22,199,966	13,670,884	8,529,082
P. Ft. Wayne & C....	468	806,257,399	.91	7,359,452	4,069,097	3,290,355
Average	904	1,837,706,486	.876	16,046,145	9,455,162	6,590,983
Average to One Mile of Road	1	2,032,860	.876	\$17,750	\$10,459	\$7,291
Tonnage per mile.....	{ 1875.....1,203,651 { 1880.....2,032,860					
Rate per mile.....	{ 1875.....cents 1.163 { 1880....." .876					
Profit per mile.....	{ 1875.....\$4,974 { 1880.....7,291					

It will be noticed that the decrease of rates accompanied by an increase of tonnage has resulted in larger profits. This result may not have been attained by the voluntary reduction of rates on the roads named, as they were influenced, perhaps, more radically in a large portion of their traffic by direct com-

* Compiled from Poor's Manual, 1881, pp. 39-45.

petition of parallel rail and water routes. But similar results have obtained everywhere, whether other principles of competition were also in force or not. The Central Pacific Railroad Company, for instance, is often mentioned as having very little competition for the greater portion of its traffic. Yet we find here the same result. For the period of six years ending December 31, 1882—the same time as shown for the above Eastern roads, but bringing the date down two years later—the rates indicate a similar relation to the volume of traffic, showing a steady decrease with the increase of business. As other forces of competition have here been in less active force than on the Eastern lines, the reduction in rates has been caused to a much greater extent through the efforts of the company to increase its traffic. And it will be noticed that the decrease between the first and last years of those given has been greater on the Central Pacific than upon the Eastern lines; while the increase of traffic has been greater on the Eastern lines than on the Central Pacific.

STATEMENT OF FREIGHT TRAFFIC, RATES, AND GROSS RECEIPTS FROM SAME, ON THE
CENTRAL PACIFIC RAILROAD, FROM 1877 TO 1882, INCLUSIVE.

Year.	Miles of Road.	Tons carried one mile.	Tons carried one mile to each mile of road.	Rate per ton per mile. cts.	Gross Receipts from Freight.
1877.....	1783	.. 358,982,037	.. 201,338	.. 2.71	.. \$ 9,738,099
1878.....	2119	.. 392,281,712	.. 185,126	.. 2.75	.. 10,802,276
1879.....	2319	.. 449,680,783	.. 193,868	.. 2.43	.. 10,934,574
1880.....	2467	.. 565,063,768	.. 229,050	.. 2.34	.. 13,245,857
1881.....	2707	.. 733,285,889	.. 270,885	.. 2.16	.. 15,842,139
1882.....	3041	.. 902,981,309	.. 296,936	.. 1.81	.. 16,302,882

(Compiled from "Poor's Manual" for the different years, and verified by the Annual Reports of the Company.)

RATES.

East.....	{ 1875.....	100 per cent.	_____
	{ 1880.....	75 "	_____
Cent. Pac.	{ 1877.....	100 "	_____
	{ 1882.....	67 "	_____

TONNAGE.

East.....	{ 1875.....	100 per cent.	_____
	{ 1880.....	169 "	_____
Cent. Pac.	{ 1877.....	100 "	_____
	{ 1882.....	147 "	_____

The foregoing exhibit suggests the importance of the relation between the rates and the volume of traffic. Complaint is often made by those who have overlooked the importance of

this necessary relation, that Western lines have higher rates than the Eastern trunk-lines; and the lack of direct competition of parallel routes is commonly assumed as the cause. Yet, when the volume of the traffic is taken into consideration in connection with the rates, it in many cases seems remarkable that there is not a greater difference in the rates than exists. The comparative relations of the tonnage, rates, and gross receipts from freight between the above Eastern and Western roads for the last year mentioned is as follows:

RATES PER TON PER MILE.	
East.	
.876	<hr/>
Cent. Pac.	
1.81	<hr/>
TONNAGE PER MILE OF ROAD.	
East.	
2,032,860	<hr/>
Cent. Pac.	
296,936	<hr/>
GROSS FREIGHT RECEIPTS PER MILE OF ROAD.	
East.	
\$17,750	<hr/>
Cent. Pac.	
\$5,361	<hr/>

It will be noticed that, notwithstanding the fact that the average rate of the Eastern lines given is about twice that of the Central Pacific, the tonnage of the former is so much greater that the gross receipts amount to about three and a third times as much as with the Central Pacific. And by referring to the former statement it will be seen that the net earnings of the Eastern lines, per mile of road operated in 1880, were \$7291; while the gross earnings (the net not being given) of the Central Pacific from the same source were, in 1882, \$5361. The difference in this result would probably be to some extent equalized if the interest on the capital invested were taken into account, many of the Eastern lines having double tracks, and a larger equipment being required to transport the much greater tonnage. But taking into consideration all causes of difference which may occur to the mind, the result is apparent enough that the higher rates of the West are a necessity of the much smaller traffic. And we have before seen that to increase this traffic and make larger net profits, reductions in rates are steadily being made.

The fact, then, becomes apparent that the reduction of rates will increase the profits of the railroad if accompanied by a corresponding increase of traffic, for an increase of traffic reduces the ratio of expenses; so the greater the traffic becomes the greater is the profit. Now, by limiting the profit of producers, or increasing the price to consumers, the production and the traffic are equally limited; the general wealth and the profits to the railroad are both restricted. It follows from the necessity of these relations that an increase in the profits of the railroad is not at the expense of the community, but is an accompaniment of that general increase of wealth which has been made possible by the lower rates of transportation.

These natural principles regulating rates all urge the railroads to increase their traffic, as by this means the greatest profits are secured. The possibility of a large traffic offers the greatest inducement to the capitalist to construct new roads; it gives rise to the most active competition between existing lines; it increases the competition in the markets, and it affords always the strongest incentive for the railroads to reduce their rates, if by this means their existing traffic may be increased. The natural principles regulating rates are, therefore, competitive forces; the railroads are everywhere bidding for the business, and where there is the greatest amount of business, there the bidding is most active. So, where there is the least traffic there is the least competition. This produces an important result. The rates are lowest where the greatest quantities are moved, and highest where there is the least traffic. As the decrease in the rate of expense bears an approximate proportion to the increase of the amount of traffic, the connection between low rates and a large traffic is justified on the ground of cost, as well as by the necessities of commerce.

But there is an incidental result which is important to note. The greatest traffic is possible in those things which are produced in the largest quantities, and for which the demand is practically unlimited. These, therefore, have the lowest rates. They constitute, primarily, the necessities of life, which are consumed by all; and, secondarily, the cheaper articles which are the common comforts of the poorer classes. As commodities become more and more expensive they become confined to a smaller class, their consumption becomes, therefore, more re-

stricted, and the incentive to the railroad to carry them at lower rates is reduced in the same degree. These natural principles affect the rates of transportation exactly as similar laws of competition in trade affect prices. They tend constantly to cheapen, first, the necessities of life; second, the comforts; and last and least, the luxuries. Does not this result in the greatest good for the greatest number?

Controlled by these natural forces of competition, the proprietor of the railroad constantly works to advance the interests of the patron. In seeking to increase the earnings of the corporation, he does not increase rates; but in virtue of the common principles of commerce by which he is bound, the tendency of rates as of prices is ever toward a minimum. In seeking to advance his own interests he works equally to advance the interests of the shippers, and so of the community at large. This result, which is recognized by the Railroad Commissioners of Iowa, is seen everywhere.

“Our people,” they say, “are directly the beneficiaries of a steadily and continually falling rate. This reduction of rates is not confined to the through traffic; it applies — in a somewhat smaller ratio, it is true — to the local traffic as well, which is demonstrated in tables further on, prepared from reliable data by the Commissioners. What it is that has produced these reductions in charges is a question rather for the economist; it suffices to be able to point them out and to know that they are welcome tidings alike to producer and consumer.”*

The railroad cannot lessen its traffic without reducing its profits; it cannot restrict the development of its traffic without limiting its profits. To injure the shipper or interfere with his interests the railroad must equally injure itself. Is it not, then, safer and better to leave the regulation, classification, and establishment of rates with the proprietors under the control of these natural forces, than to delegate it to a legislature or commission, whose interests in its proper execution are relatively slight, and whose information at the best cannot be compared to that of those who make it the business of their lives? This leaves great power with the corporation, it is true, but the power is in the property. To shift the control from owners to commissioners, only shifts it from the responsible and interested to the irresponsible and non-interested. It does not remove it; that can only be done by removing the road.

* Report, 1881, p. 7.

The interests of the community and of the railroad equally require the greatest possible extension of trade; the greatest possible movement and exchange of commodities. The control of trade by the state, through directing the management and fixing the rates of railroads, must result, as similar efforts have resulted in the past, in interference: in restriction, instead of extension; in an injury, instead of a benefit. The best possible results to all will follow where there is the freest operation of the natural forces of competition.

GERRIT L. LANSING.

ILLUSIONS OF MEMORY.

DURING his consulship in England, Hawthorne was traveling near Oxford, and while visiting Stanton Harcourt he had a curious psychological experience, which he describes in "Our Old Home." Nothing about this locality interested him more than the kitchen of the ancient castle. Behind a hearth thirty feet square there were two huge fire-places, used in olden times for roasting oxen whole, while the smoke found its way through great holes in the roof seventy feet above. This room is one vast chimney, the rough interior walls blackened with the smoke and soot of centuries, and lighted only from the apertures above. "Now, the place," writes Hawthorne, "being without a parallel in England, and therefore necessarily beyond the experience of an American, it is somewhat remarkable that while we stood gazing at the kitchen, I was haunted and perplexed by an idea that somewhere or other I had seen just this strange spectacle before. The height, the blackness, the dismal void before my eyes, seemed as familiar as the decorous neatness of my grandmother's kitchen."

This incident, to which the author's sequel will be given later, fairly introduces, I think, the following study of a very odd sentiment that sometimes comes over us in the ordinary run of thought and action,—that the entire present situation is not new, but merely the repetition of a former one. It is not always easy to put this feeling into language; it varies from the vaguest suspicion to the intensest conviction. We exclaim inwardly: "Why, I have seen or thought this all before," and yet, the most diligent search of memory failing to confirm the impression, we infer we have been deceived. In all this there is an absence of the slight shock occasioned by surprise, but at times there ensues a feeling of uneasiness and actual discomfort, especially when this sense of earlier experience is so strong that





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